



## GSS ENERGY LIMITED

(Company Registration Number: 201432529C)  
(Incorporated in the Republic of Singapore)

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### PROPOSED SELECTIVE CAPITAL REDUCTION EXERCISE TO REDUCE THE ISSUED AND PAID-UP CAPITAL OF THE COMPANY

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#### 1. INTRODUCTION

The board of directors (the "**Board**") of GSS Energy Limited (the "**Company**") and together with its subsidiaries, the "**Group**") refers to the announcement dated 17 August 2015 ("**Settlement Announcement**") relating to the settlement agreement dated 14 August 2015 (the "**Settlement Agreement**") with Java Petral Energy Pte Ltd ("**JPEL**") to reduce the purchase consideration under the Sale and Purchase Agreement dated 31 May 2014 (the "**SPA**") for the acquisition of shares in Cepu Sakti Energy Pte Ltd (the "**Target**").

Unless otherwise defined, capitalised terms in this announcement shall have the meanings given in the Settlement Announcement.

To effect the Settlement Agreement, the Company is proposing to undertake a selective capital reduction exercise to cancel the 76,000,000 shares in the capital of the Company ("**Consideration Shares**") issued and allotted to JPEL at an issue price of S\$0.30 per Consideration Share as part of the consideration for the Target (the "**Proposed Selective Capital Reduction**").

#### 2. DETAILS AND RATIONALE

On 10 September 2014, GSS Energy Investment Holdings Limited ("**GEIHL**") (a wholly owned subsidiary of the Company) acquired 624,079 ordinary shares representing 53.6842% of the issued share capital of the Target from JPEL for an aggregate consideration of up to S\$48,000,000 (the "**Acquisition**"). The consideration was satisfied by a combination of cash and the issuance of 76,000,000 new ordinary shares (the "**Consideration Shares**") in the capital of Giken Sakata (S) Limited ("**GSS**") at an issue price of S\$0.30 per Consideration Share. As a result of the Acquisition, JPEL became a controlling shareholder of GSS. At this time, GSS was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

As at the date of this Announcement, a total of S\$37,800,000, comprising S\$15,000,000 in cash and S\$22,800,000 in Consideration Shares, has been paid in consideration of the Acquisition.

On 10 November 2014, GSS and the Company commenced a restructuring exercise by way of a scheme of arrangement, pursuant to which the Company replaced GSS as the listed company. GSS and the Company undertook a scheme of arrangement under Section 210 of the Companies Act, following which the Company acquired all the shares in GSS, in exchange

for new ordinary shares in the capital of the Company (the “**Shares**”), which were issued to all shareholders of GSS on a one (1) for one (1) basis (the “**Restructuring**”). As a result of the Restructuring:

- (a) all the shareholders of GSS became shareholders of the Company (“**Shareholders**”), including JPEL, whose Consideration Shares were replaced with 76,000,000 Shares (the “**Relevant Shares**”) in the capital of the Company; and
- (b) GSS was delisted and the Shares of the Company were listed and quoted on Catalist.

The Target’s wholly owned subsidiary, PT Cepu Sakti Energy (“**PT CSE**”) was party to a cooperation agreement with Village Cooperative (*Koperasi Unit Desa*) Sumber Pangan (“**KUD SP**”), under which it was granted exclusive rights to cooperate in conducting operations for extracting oil from the Dandangilo-Wonocolo fields in Bojonegoro, East Java, Indonesia (the “**Cooperation Agreement**”). These operations were the core business of the Target.

As announced on 24 July 2015, PT CSE was informed that KUD SP would no longer require the services of PT CSE for the management of old wells in Dandangilo-Wonocolo, and that the Cooperation Agreement would be terminated (the “**Termination**”).

Due to the Termination, the Company and JPEL entered into the Settlement Agreement to reduce the purchase consideration under the Acquisition. The Company is proposing to undertake the Proposed Selective Capital Reduction to cancel the Relevant Shares issued to JPEL.

The Proposed Selective Capital Reduction will reduce the Company’s issued and fully paid-up share capital from S\$73,458,011.92851 divided into 472,618,657 ordinary shares, to S\$50,658,011.92851 divided into 396,618,657 ordinary shares. The amount of S\$22,800,000, being the credit arising from the Proposed Selective Capital Reduction, shall be applied to write off the Company’s accumulated losses of S\$22,800,000 arising from impairments made in the carrying values of investments in, amounts due from subsidiaries and past acquisition fees for investment in subsidiaries<sup>1</sup> (the “**Accumulated Losses**”).

### 3. FINANCIAL EFFECTS

The Proposed Selective Capital Reduction is an accounting procedure that reduces the existing share capital of the Company to write off the Accumulated Losses. The Proposed Selective Capital Reduction is simply a change in the composition of equity and does not entail any outflow of cash or change to the assets of the Company.

**For illustration only** and based on the unaudited consolidated financial statements of the Group for the half year ended 30 June 2015 (“**1H2015**”), a summary of the financial effects of the Proposed Selective Capital Reduction is set out below. The financial effects of the Proposed Selective Capital Reduction assume that the Restructuring was completed on 1 January 2015.

#### (a) Share Capital

Assuming that the Proposed Selective Capital Reduction was completed on 31

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<sup>1</sup> Please refer to the Company’s announcement of its financial results for the six months ended 30 June 2015 dated 14 August 2015 for more information on the impairment provisions made following the Termination.

December 2014, the share capital of the Company for 1H2015 would be as follows:

	Before the Proposed Selective Capital Reduction	After the Proposed Selective Capital Reduction
<b>Number of issued and paid-up Shares</b>	472,618,657	396,618,657
<b>Share Capital</b>	73,458,011.92851	50,658,011.92851

The Proposed Selective Capital Reduction will reduce the paid-up share capital of the Company by S\$22,800,000 to write off the Accumulated Losses.

The number of issued Shares held by Shareholders will remain unchanged immediately after the Proposed Selective Capital Reduction.

(b) **Equity attributable to Shareholders**

Assuming that the Proposed Selective Capital Reduction was completed on 1 January 2015, the equity attributable to Shareholders for 1H2015 would be as follows:

	Group		Company	
	Before the Proposed Selective Capital Reduction (S\$'000)	After the Proposed Selective Capital Reduction (S\$'000)	Before the Proposed Selective Capital Reduction (S\$'000)	After the Proposed Selective Capital Reduction (S\$'000)
<b>Share Capital</b>	73,458	50,658	73,458	50,658
<b>Currency translation reserve</b>	290	290	-	-
<b>Other reserve</b>	380	380	-	-
<b>Accumulated losses</b>	(32,324)	(9,524)	(24,814)	(2,014)
<b>Shareholders' Fund</b>	41,804	41,804	48,644	48,644

(c) **Gearing**

The Proposed Selective Capital Reduction will not have any impact on the gearing of the Company and the Group.

**4. CONDITIONS AND APPROVAL**

The Proposed Selective Capital Reduction is subject to, *inter alia*, the following:

- (a) the approval of Shareholders by way of a special resolution ("**Capital Reduction Resolution**") passed at an extraordinary general meeting of the Company ("**EGM**") to

be convened;

- (b) notification to the Comptroller of Income Tax that the Capital Reduction Resolution has been passed at the EGM, within eight (8) days beginning with the date of the Capital Reduction Resolution;
- (c) compliance with the relevant publicity requirements as prescribed in the Companies Act (Chapter 50) of Singapore (the “**Act**”);
- (d) no application having been made for the cancellation of the Capital Reduction Resolution by any creditor of the Company to the High Court of the Republic of Singapore within the timeframe prescribed in the Act, or if such application was made, the dismissal thereof by the judicial authorities; and
- (e) lodgement of the relevant documents with the Accounting and Corporate Regulatory Authority of Singapore after the end of six (6) weeks (but before the end of eight (8) weeks) beginning with the date of the Capital Reduction Resolution.

## **5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors or, as far as the Directors are aware, controlling shareholders of the Company have any interest, whether direct or indirect, in the Proposed Selective Capital Reduction other than in their capacity as a Shareholder.

## **6. NOTICE OF EGM**

A circular (the “**Circular**”) setting out further information on the Proposed Selective Capital Reduction and enclosing the notice of the EGM will be despatched by the Company to Shareholders in due course.

## **7. FURTHER ANNOUNCEMENTS**

The Company will continue to keep all its Shareholders updated on any material developments in relation to the Proposed Selective Capital Reduction on a timely basis.

## **8. CAUTION IN TRADING**

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. Shareholders of the Company are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, shareholders of the Company should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By Order of the Board  
**GSS ENERGY LIMITED**

Ng Say Tiong  
Chief Financial Officer

23 October 2015

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*This announcement has been prepared by the Company and its contents have been reviewed by the company's Sponsor, Stamford Corporate Services Pte Ltd, for compliance with the relevant rules of the SGX-ST. The Company's Sponsor has not independently verified the contents of this announcement.*

*This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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